



CABINET FOR HEALTH SERVICES
COMMONWEALTH OF KENTUCKY
275 EAST MAIN STREET, 6TH FLOOR
FRANKFORT, KENTUCKY 40621-0001



DEPARTMENT FOR MEDICAID SERVICES
"An Equal Opportunity Employer M/F/D"

March 11, 2002

Pharmacy Provider Letter #A-448

Dear Pharmacy Provider:

This letter announces a change in the Medicaid Pharmacy Program's methodology for reimbursement of drug acquisition cost.

As you may well have heard by now, the reimbursement methodology is being changed from Average Wholesale Price (AWP) minus ten percent (10%) to Average Wholesale Price (AWP) minus twelve percent (12%). The change will be effective April 1, 2002.

The Department for Medicaid Services is making this change based on studies conducted for Kentucky and at the national level which show that our reimbursement for ingredient cost, at AWP-10, is significantly higher than that paid by commercial payers. Medicaid budget shortfalls in Kentucky and across the nation have caused states and the federal government to recognize this disparity and seek a greater discount in drug acquisition reimbursement. We believe the proposed change to AWP-12 to be a reasonable reduction, especially when compared to commercial reimbursement and proposed changes in other states.

Although these steps are necessary at this time, please be assured that we recognize the significant role pharmacists play in serving Medicaid and KCHIP eligible Kentuckians. If you have any questions about this letter, please contact the Division of Managed Care at 502-564-7940.

Sincerely,

Mike Robinson

Mike Robinson
Commissioner

"...PROMOTING AND SAFEGUARDING THE HEALTH AND WELLNESS OF ALL KENTUCKIANS"

